

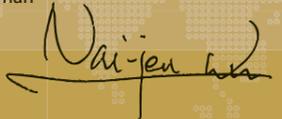
Message from the Chairman

With a view to becoming an important player in the international arena, TSEC will pursue economies of scale and aim to improve operational efficiency in order to enhance core competitiveness and continued development of the Taiwan securities market.



The Taiwan stock market closed for the year 2005 with the Taiwan Stock Exchange Capitalization Weighted Index (TAIEX) ending at 6,548.34 points, a 6.66% increase over 2004's close at 6,139.69 points. At the end of 2005, 691 companies were listed on the Taiwan Stock Exchange (TSEC), six less than that of 2004. Market capitalization grew by NT\$1.59 trillion to NT\$15.63 trillion during 2005. The average daily trading value decreased to NT\$77.2 billion, or NT\$19.5 billion less than that of the previous year. The number of investors with valid trading accounts reached 7,740,024, or 129,381 more than in 2004, and the number of securities brokerage outlets decreased by 28 in 2005 to a total of 1,125.

Chairman



TSEC unrelentingly works with the regulatory authorities in its reform of the securities market in order to lead the Taiwan securities market into a new era of liberalization and internationalization. To enhance operational efficiency and service quality of the Taiwan securities market, bringing it in line with international developments, TSEC implemented many reform measures throughout the year of 2005. The most important of these measures included:

Listing - In addition to promoting the listing of securitized real estate products, TSEC intensified the monitoring of listed companies, and required listed companies to timely disclose material information in order to enhance the transparency of the securities market. TSEC also introduced a new underwriting regime, and required domestic accounting principles to meet international accounting standards according to market demand and international trends.

Trading, Clearing and Settlement - TSEC reduced the minimum up/down tick size of price movement, and lifted the daily price fluctuation limit for the first five trading days after listing. New odd lot and block trading systems were implemented. In addition, TSEC Taiwan 50 Index constituents were exempted from the restriction that no short sale be priced below previous close. Stage by stage, TSEC reviewed and improved the securities borrowing and lending business. Furthermore, TSEC simplified tripartite settlements on a net basis for TSEC, securities finance companies and securities firms, and streamlined both the registration procedure for foreign investors and assets transfer procedure for foreign institutional investors with different investment IDs.

Other important milestones of market development accomplished in 2005 were:

Information Technology - TSEC upgraded the operation system of the Fully Automated Securities Trading (FAST) platform to enhance its operational stability.

Market Surveillance - TSEC integrated its on-line market surveillance systems into a single relational database to simplify the working process and enhance efficiency.

Website - TSEC established an "Internet Learning Platform" to provide securities professionals and investors with various education programs.

Index - TSEC also compiled a new "NonFinance NonElectronics Sub-Index" to serve as a performance benchmark of general industries listed on TSEC.

Going forward into 2006, TSEC will carry out the following scheduled activities:

Primary Market - TSEC will cooperate with the relevant authorities to promote the establishment of "International Securities Market Board", on which listed securities are priced in US dollars for the purpose of encouraging eligible foreign companies to apply for initial public offering or dual-listing in Taiwan. Furthermore, TSEC will also continue to intensify its requirements for verification and disclosure of material information of listed companies. Listed companies need to comply with corporate governance code in accordance with the related articles newly amended in Securities and Exchange Act in January 2006.

Secondary Market - Starting February 2006, TSEC permits securities transactions to be conducted via brokers' omnibus trading accounts to facilitate their equal-price services to their fund-manager clients, if so instructed. TSEC plans to launch a new block-trading system with a pre-match option later this year. Additionally, TSEC will further relax the restrictions on short sale price not below previous close for more qualified stocks, continue to review the effect of smaller tick size, and promote DVP on T+2 throughout the market.

To cope with a rapidly changing global capital market, major stock exchanges have experienced a universal trend towards consolidation of markets and business resources. TSEC is, out of a similar concern, proceeding along a similar path with peer market operators in Taiwan, to the extent that our regulator allows. With a view to becoming an important player in the international arena, TSEC will pursue economies of scale and aim to improve operational efficiency in order to enhance core competitiveness and continued development of the Taiwan securities market.